

FISCAL NOTE
SB 915 - HB 866

March 19, 2001

SUMMARY OF BILL:

- Exempts from sales tax the value attributable to loaning certain medical instruments to be used for special surgical purposes and then returned to the lender.
- Defines *loaning* for purposes of the sales tax exemption, as permitting a medical facility or practitioner to borrow specialized medical surgical instruments and tools for the purpose of implanting or otherwise installing medical devices on an *as needed basis* or as often as such facilities or practitioners have candidates for such procedures. *Loaning* such instruments and tools contemplates multiple continuous use by various and multiple users over the extended life of such instruments or tools.

Under existing law, the loaning of medical equipment is taxable. When no sales tax is paid in the state of origin or when no use tax is paid on the items when they are imported to Tennessee, TCA 67-6-203 provides that a tax is levied at the rate of 6% of the cost price for each item or article of tangible personal property when the same is not sold but is used, consumed, distributed, or stored for use or consumption in the state.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$300,000
Decrease Local Govt. Revenues - Less Than \$100,000

Estimate assumes:

- Use tax was due on the equipment once it was brought into the state.
- A state tax rate of 6%.
- A local government tax rate of 2.25%
- The impact of the single item cap for local government sales taxes was considered in estimating local government sales tax loss.

For information purposes:

- An audit resulted in an assessment for a taxpayer that imported medical equipment specially designed for orthopedic surgery, specifically joint-replacement surgery.
- The tools are manufactured out-of-state by a related entity.
- No sales or use tax was paid in the originating state or in Tennessee on the equipment.
- The tools are stored in state and shipped to hospitals throughout the US, including Tennessee.
- The tools are then returned after completion of the surgery.
- There is no charge to the doctor or hospital provided the tools are properly returned to the lender.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director